IV. REMARKS

In paragraph 1 of the Office Action, the Examiner has correctly noted that this is an RCE that is complete and in proper form. Applicant appreciates the confirmation.

In paragraph 2 of the Office Action, the Examiner has correctly noted the status of the claims. Applicant appreciates the confirmation.

In paragraph 3 of the Office Action, responsive to Applicant's having explicitly and definitely pointed out that the claims refer to ERISA in effect on the application's filing date, the Examiner states that he has reviewed the original disclosure and could not find such.

Applicant apologizes for the inconvenience, but Applicant explicitly and definitely pointed this out in the filing of June 12, 2007, at page 15. In any case, the discourse appears to be moot as statutory and regulatory citations have been removed from the claims.

In paragraph 4 of the Office Action, the Examiner has noted new grounds of rejection.

In paragraph 5 of the Office Action, the Examiner has graciously provided a copy of 35 U.S.C. Sec. 112. Applicant appreciates the courtesy.

In paragraph 6 of the Office Action, claims 9-13, 23, 32-35, and 45, and in paragraph 7 claims 1, 24, and 36, have been rejected pursuant to 35 USC Sec. 112. The Examiner contends that the claims refer to laws that could change. The rejection is traversed for reasons stated in previous filings, but the rejection is believed to be moot in view of the amendment to the claims. It is believed that, as per claims 1, 24, and 36, <u>rules regarding credit by banks and persons other than brokers or dealers for the purpose of purchasing or carrying margin stock</u> is inherently disclosed by the specification's reference to Regulation U. Additionally, it is respectfully believed that, as per claims 9-13, 23, 32-35, and 45, <u>subject to reporting and other compliance requirements of the United States Department of Labor</u> is inherently disclosed by

the specification's reference to ERISA.

With further regard to Sec. 112, it is respectfully believed that <u>the</u> in the phrase <u>... the United States...</u> is proper and clear, and does not present an antecedent basis problem. Similarly, it is respectfully believed that <u>the</u> in the phrase <u>...for the purpose of...</u> is proper and clear, and does not present an antecedent basis problem. See, e.g., claims 9 and 1.

In paragraph 8 of the Office Action, claims 2-23, 25, and 37-51 have been rejected for being dependent claims from those claims rejected in paragraphs 6-7. In response, this rejection is believed to have been rendered moot by the aforementioned amendment.

In paragraph 9 of the Office Action, the Examiner graciously provides a copy of 35 U.S.C. Sec 103. In response, the consideration is appreciated.

In paragraph 10 of the Office Action, claims 1-20, 24-43, and 46-51 have been rejected pursuant to 35 U.S.C. Sec 103 based on Ryan for reasons more fully set forth in subsequent sections of the Office Action.

In response, the rejection is respectfully traversed and reconsideration is respectfully requested. The statement of the rejection in the Office Action appears to be technically improper because the rejection is premised on two references: Ryan and Regulation U. This is significant because a proper reason to combine has not been provided, as discussed further below. Further, by way of an overview, the Ryan patent is limited to using cash value life insurance; the present claims are directed to using employer stock and the employee is the plan beneficiary. Among the unmistakable differences between the Ryan patent and the instant claims is that they pertain to very distinct asset classes. It should be completely clear that Ryan and the instant claimed invention are directed to different financial products.

In paragraph 11 of the Office Action, with respect to claim 1, it is contended that Ryan teaches

<u>receiving a value of collateral for a loan to a non-tax qualified</u>

<u>benefit plan, the loan at least partially funding acquisition of the collateral held by the benefit plan, the collateral including at least one security issued by a sponsor of the benefit plan; and</u>

The Office Action gives no citation as to where in particular Ryan discloses these features, and it is respectfully submitted that this is because there is no such disclosure in Ryan. For example, Ryan says nothing about <u>at least one security issued by a sponsor of the benefit plan</u>. Again, the instant invention is a different fianancial product than that of Ryan, and no stretch of the imagination can change that.

The Office Action also states, at paragraph 11 page 5, that "Ryan does not explicitly teach compliance with Regulation U." Pursuant to 35 U.S.C. Sec. 132 and Rule 104, Applicant requests the Examiner's information as to how Reg. U can be combined with Ryan in view of Ryan being directed to life insurance. For example, the Examiner is requested to provide a letter ruling or some other evidence that Reg. U is in some way applicable to life insurance, and more particularly, to Ryan. Being "motivated to comply with Regulation U because it is the law" (Office Action page 5) does not mean that Regulation U was known to be applicable to every circumstance or that every circumstance where Regulation U would be applicable was known. In the absence of evidence of a reason to combine Ryan and Reg. U to reach Applicant's claimed invention, Applicant submits that the rejection is improper. Applicant further submits that at the time of the invention one having ordinary skill in the art would not have thought to combine Reg. U with Ryan to reach the claimed invention, and if the Examiner has any evidence to the contrary, that evidence is hereby required.

In paragraphs 12-15 of the Office Action, contentions are made regarding claims 2-5, but these rejections carry forward the erroneous contentions addressed with respect to claim 1: not all claim features have been shown in the cited art, and no proper reason to combine Ryan and Reg. U has been provided. The contentions in the dependent claims 2-5 pertain to a different

financial product than those in Ryan. Thus, for example, the loan and collateral in Ryan are not the same as the loan and the collateral in the claims. Thus the contentions are all in error.

In paragraph 16 of the Office Action, the rejection of claims 6-8 depend upon the Examiner's contention that "As applied to Ryan, it is within the basic knowledge of a skilled artisan that several kinds of securities including equity securities, a put contract, a call contract could easily be substituted in place of an insurance policy." The contention is traversed, and the Examiner's declaration affidavit or other evidence is hereby requested to establish a basis for this statement. Applicant also requests an opportunity to dispute any such Examiner evidence with contrary evidence – there is no evidence that these were known to be substitutable as contended. A patent cannot be withheld by making up things like a known substitutability of equity securities and an insurance contract, or any of the other items the Examiner contends are substitutable.

As to the reasonableness of the contention that " ...it is within the basic knowledge of a skilled artisan that several kinds of securities ...could easily be substituted in place of an insurance policy," fortunately, it is easy to test for veracity of the contention. The business issue is the adverse consequences of Generally Accepted Accounting Principles ("GAAP")income that flow from the new accounting standard, Statement of Financial Accounting Standards No. 123(R) ("FAS 123(R)"), to which the Examiner can take Official Notice. This accounting standard requires any future share based compensation be fair valued and that fair value be accrued as a current period expense. For non-qualified stock options, the process often results in expense charges that ultimately exceed actual cost.

FAS 123(R) was published in 2004 and generally applied to interim or annual reports beginning after June 15, 2005. Hundreds of pages have been written about alternative structures (basically, restricted stock and phantom stock). Some of the best minds (i.e., beyond mere skilled artisans) from Wall Street investment bankers, accountants, lawyers, human

resource consultants, and executive compensation consultants have had their say on this topic in articles and speeches, and none have proposed the structure of Applicant's claimed invention.

A patent cannot be withheld by presuming there is a known substitutability of equity securities and an insurance contract, or any of the other items the Examiner contends are substitutable. The only person known to have the Examiner's contended view is the Examiner, and the Examiner's declaration or affidavit or other evidence is hereby required.

In paragraph 17 of the Office Action, claims 9-13 have been rejected pursuant to Ryan in view of Ford (understood to be the Ford 2001 Annual Report labeled Reference "V" in the prior Office Action). In response, the rejection is respectfully traversed. As stated in claim 1, and carried through to the dependent claims, the features of claim 1 have not been shown to be disclosed in Ford; and with no showing of obviousness for the independent claims, there is no showing of obviousness for the dependent claims. Further, claim 1 provides different antecedent bases to what the rejection contends has been disclosed in the cited art, e.g., <u>the collateral</u> in claim 1 is not the same as the collateral in Ryan or in Ford. In short, the rejection is premised on ignoring antecedent basis.

In paragraph 18 of the Office Action, as to claim 14, Applicant incorporates here by reference the above-provided response to the rejection of claim 1. For example, Ryan does not disclose <u>collateral including at least one security issued by a sponsor of the benefit plan</u> or <u>the loan having a balance sufficient for compliance with rules regarding credit by banks and persons other than brokers or dealers for the purpose of purchasing or carrying margin stock.</u>

In paragraph 19 of the Office Action, as to claims 15-19, Applicant incorporates here by reference the above-provided responses to the rejections of claim 1 and claim 14. In addition, the Examiner sites Ryan column 7, lines 18-29, column 9, lines 66-67, column 10, lines 1-11 and contends that these passages in Ryan teach sub steps which compute internal rates of

return, present value gains or losses, plan GAAP cost, plan sponsor's present value cost and for a participant, a simple accounting rate of return, an internal rate of return, and a present value gain or loss. However, each of these contentions is traversed: the citations from Ryan do not disclose any of the claimed computations. Further, the Examiner comments that claimed financial ratios and accounting computations have been around a long time. In isolation, this is true, but the claim must be considered as a whole, and the application of these ratios to the claimed subject matter has not been shown prior to the claimed invention. In this regard, if the rejection is maintained, Applicant requires a reference or declaration or affidavit to support the Official Notice. Applicant disputes that there is any reason to combine so as to reach the claim requirements, and a reference is required by the Applicant. .

In paragraph 20 of the Office Action, as regards claim 20, Applicant incorporates by reference the response made with respect to the base claims, and the errors in rejecting the base claims carry forward to this rejection. In particular, Applicant incorporates by reference the response made to the rejection of claim 1: not all claim features have been shown in the cited art, and no proper reason to combine has been provided. The contentions in the dependent claims 20 and14-19 pertain to a different financial product than those in Ryan, and thus the antecedent basis in the dependent claims are confused, e.g., the benefit plan in Ryan is not the same as <u>the benefit</u> specified in claim s 20 and 14-19, and thus the contentions and rejections are all in error. The Examiner cites Ford, but appears to make no use of the citation; the Examiner's elucidation is requested.

Paragraphs 21-40, reject claims 24-43 for reasons set forth with respect to claims 1-20 and 14. In response, Applicant incorporates by reference the arguments and reasons set forth with respect to claims 1-20 and 14.

In paragraph 41 of he Office Action, as regards claim 46/1-5, /14, /19, /21 and /22, the rejection is again based on the Examiner's contention of fact as per Paragraph 16 (claims 6-8)

of the Office Action. Applicant's response to Paragraph 16 is incorporated by reference and again the Examiner's affidavit or declaration is required.

In paragraph 42 of the Office Action, claims 47-51 have been rejected for reasons corresponding to claim 46. In response, the rejection is again based on the Examiner's contention of fact as per Paragraph 16 (claims 6-8) of the Office Action. Applicant's response to Paragraph 16 is incorporated by reference and again the Examiner's affidavit or declaration is required. It is respectfully submitted that, with the talent pool addressing FAS 123(R), someone might have proposed the claimed invention if indeed the contended substitution was as the Examiner contends in the rejection. If the contention is maintained, the Examiner's information on this point is required, pursuant to 35 U.S.C. Sec. 132 and Rule 104.

In paragraph 43 of the Office Action, claims 21-23, and 44-45 have been rejected pursuant to 35 U.S.C. Sec. 103. The Examiner contends that these claims are obvious over Ford, in view of Ryan. In response, the rejection is respectfully traversed for reasons set forth below.

In paragraph 44, as regards claim 21, the Examiner relies on "Ford" (the 2001 Ford Annual Report) and directs attention to Footnote 13, Stock Options, on pages 60 - 61, and to Footnote 17, Retirement Benefits, on pages 65 – 66. In response, pursuant to 35 U.S.C. Sec. 132 and Rule 104, Applicant requests information and an explanation. Applicant is puzzled as to why Footnote 17 is being relied upon because the footnote describes funded welfare benefit plans for non-union and union employees. The plans appear to hold a diversified basket of assets - "investment s in stocks and government and fixed income securities…" Furthermore, "Ford securities comprised less than one half of one percent of the value of our worldwide pension plan assets…" The plans themselves are defined benefit plans – not defined contribution plans. Accordingly, the plan beneficiaries are not at risk as to the investment performance. FAS 123(R) has no application whatsoever to accounting for pensions, retiree

health and retiree life insurance. Applicant fails to see any connection whatsoever between Footnote 17 and the instant patent application in general or claim 21 in particular.

Further, footnote 13 describes the stock option plans that Ford offers its executives and employees. Ford's Long Term Incentive Plans ("LTIP") are non-qualified stock option plans. A specific number of shares are allocated to each plan to be granted to selected employees. Once granted at current market value, the employee has 10 years to exercise the purchase option. The employee can only exercise a portion of the optioned shares beginning in the year after grant and ending three years later. Ford also gives share incentive compensation through performance stock rights and restricted stock units. The Footnote tells us that these two types of compensation are nominal in comparison to the non–qualified stock options. Of course, a performance right is a payment based on performance by the executive and/or the employer share price. Restricted stock is the same except it is an award of stock, not cash.

Footnote 13 actually is evidence of unobviousness of the claimed invention, which the Examiner is required to consider. In 2001 Ford implemented the full range of known methods of providing stock based compensation. If the claimed invention was obvious, no doubt it would have appeared in Ford's 2001 to 2007 annual reports. Ford adopted FAS 123 in its 2003 annual report.(FAS 123 was the predecessor statement to FAS 123(R). FAS 123 was elective while FAS 123(R) is mandatory GAAP accounting. Seeing the handwriting on the wall, many companies adopted FAS 123 in advance of the implementation date of FAS 123(R).)

With further regard to contentions in Paragraph 44, the Examiner concedes that Ford does not teach the use of a loan in connection with a benefit funding plan. The Examiner contends, then, that Ryan teaches "loans", so combining the two would render the claim obvious, as stated more precisely in the Office Action. This contention is respectfully traversed, and an explanation or information are again required. It is respectfully submitted that what the contention fails to comprehend is that a loan would not be viable for assets described under

either Ford Footnote 17 or 13. Tax qualified pension plans are penalized for using leverage by the Internal Revenue Code. Turning to Footnote 13, again there is no opportunity to consider adding leverage to any of the plans described. With the non-qualified stock option plan ("LTIP"), the employee owns nothing of value for collateral. At date of grant, the fair market value is zero and there is potential that the share price could decline between the grant date and the eligible excise date. Performance shares and restricted stock shares are equally uncertain assets that lenders would be unwilling to take as collateral. The employee will only receive cash or stock compensation when and if specified "performance" criteria are met. Such loans are like borrowing against being named in your rich uncles will. Clearly, such loans are not available. Therefore, subject to the requested information or explanation from the Examiner, no proper reason to combine Ford and Ryan has been made out.

In paragraph 45, as regards claim 22, the Examiner points to the rejection and contentions regarding claim 20. In response, Applicant incorporates the corresponding response and further notes that no proper reason to combine has been made out, as per the discussion above.

In paragraph 46, as regards claim 23, the Examiner points to the rejection and contentions regarding claim 21. In response, Applicant incorporates the corresponding response and further notes that no proper reason to combine has been made out, as per the discussion above.

In paragraphs 47 and 48, as regards claims 44-45, the Examiner points to the rejection and contentions regarding claims 20 and 23. In response, Applicant incorporates the corresponding response and further notes that no proper reason to combine has been made out, as per the discussion above.

In sum, for the reasons set forth above, a case of prima facie obviousness has not been made out.

With respect to the present application, the Applicant hereby rescinds any disclaimer of claim scope made in the parent application or any predecessor or related application. The Examiner is advised that any previous disclaimer, if any, and the prior art that it was made to avoid, may need to be revisited. Nor should a disclaimer, if any, in the present application be read back into any predecessor or related application.

III. Conclusion

APPLICANT CLAIMS SMALL ENTITY STATUS. The Commissioner is hereby authorized to charge any fees associated with the above-identified patent application or credit any overcharges to Deposit Account No. 50-0235, and if any extension of time is needed to reply to said office action, this shall be deemed a petition therefore. The Examiner is invited to contact the undersigned at the telephone number set out below if it can in any way expedite or facilitate issuance of a patent on the application.

The application is believed to be in condition for allowance, and favorable action is respectfully requested. Please direct all communication to the undersigned at the address given below.

Respectfully submitted,

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